AOD 205

AGRICULTURAL OUTLOOK DIGEST

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Approved by the Outlook and Situation Board, November 26, 1974

Facing Farmers in 1975:

Heightened Food Needs and Heightened Risk

Voices from many quarters are urging farmers to expand farm production in 1975 and thus ease tight world food supplies and soaring prices. But few can be heard offering to backstop them in the economic risks of this venture.

Several years of tight food supplies on a worldwide scale, this year's adverse weather in the United States and other parts of the world, and a chain of complex economic events have created a crisis environment for farming.

Food and agriculture are now headline news. Farming is considered a critical occupation these days, and agriculture is weighed heavily in discussions of national and international security. Security, formerly discussed in terms of military strength, is now assessed in economic terms as well, including the strength of our farm production and our ability to finance energy needs.

With this new importance has come a basic change in what the public, policymakers, and politicians expect the American farmer to provide—both to American consumers and to the world.

Just as much as a war might, rising population and incomes, soaring commodity and oil prices, and backward farming methods have rapidly increased the dependency of many developing nations on imported food, on commercial or concessional terms. Meanwhile, Americans want relief from soaring food prices. Consequently, Amercian farmers are entering 1975 with a new status of importance, and with the business of farming being viewed with increasing appreciation by other Americans.

Not all farmers, however, are set to go all out in expanding food production. Livestock producers are more concerned now about reducing it. In the face of high feed costs and overstocked cattle herds, the first half of 1975 will be a period of retrenchment in output of fed cattle, pork, and poultry products. For a detailed look at both crop and livestock prospects early next year, see COMMODITIES, beginning on page 4).

Farm Income Problem

In addition to the problems livestock producers are facing, farmers face a critical situation going into 1975. This year alone, soaring production costs, led by fuel, fertilizer, and feed, have knocked realized net farm income down by nearly a sixth, despite a record level of commodity sales. Indications are that the squeeze play will continue into 1975. A closer look at farm income prospects is on page 2, under INCOMES UNDERCUT.

And, as the costs of farming increase, so do the risks of financing another year's production costs. In 1975, farmers will be looking directly to the marketplace for returns, with little assist from farm programs.

Furthermore, next year is likely to see continuation of the twin problem of inflation and recession. In the past, inflation and recession have been considered mutually repelling forces, unlikely to coexist for any length of time. In recession, slack demand brought slower price increases. Or, inflation developed as a byproduct of economic stimulation which brought us out of recession.

Today, inflation and recession seem to be like the opposite poles of a magnet which attract and stick fast to each other. Inflation erodes buying power, weakening demand and furthering the slowdown in economic output. And while production slumps, rising raw material and wage costs lead manufacturers to raise prices further.

Hard Realities

These are hard realities for the farmer. When he pays for purchased farm supplies, the farmer meets inflation head on. When his products are ready for sale, he may have to reckon with the effects of unemployment and economic slump on demand and price. Just how these forces may work in 1975 is discussed in PRICES CRITICAL, on page 2. And when he computes his bottom line, the producer may find that the higher costs of farming in 1975 have a corrosive effect on his net income.

Continued on page 3.

Farm Economy

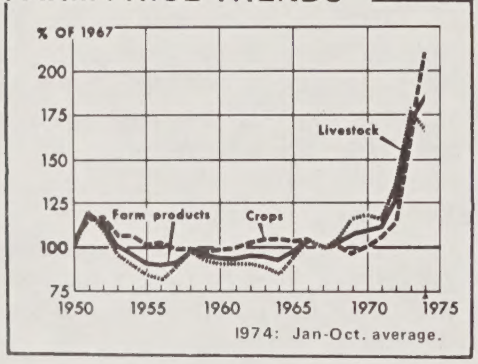
Prices Critical

With high production costs creating great uncertainty about profits, the level of prices received will make a critical difference between net income and net loss for many farmers.

It's possible to sketch a picture of prices in the first half next year. Livestock prices in 1975 are expected to show gains over 1974 after the first quarter, with strength in hogs, poultry and eggs, and milk while cattle prices remain relatively stable.

Crop prices will be well above year-earlier levels in the first half of 1975, reflecting the short 1974 supplies of major grains and oilseeds. Prices of soybeans marketed from 1974 harvest may rise seasonally into spring after averaging around $8 per bushel this fall; and corn displayed little harvesttime weakness and may go for a marketing-year average of $3.50 or more.

FARM PRICE TRENDS



Look for recent price volatility to continue in the months ahead. Reduced crop production and low beginning stock levels for grains and soybeans this year are two factors. Government-held stockpiles of the past, a potentially stabilizing force, are absent. Many individual farmers with collectively large holdings of 1974 crops are looking for opportune times to sell. Markets are sensitive to any bellwethers, including the course of export demand and the probable course of winter and spring livestock production, which in turn will effect the level of feed grain and protein meal usage.

Demand Weakening

Economic conditions may also affect the prices that farmers receive. Will continuing inflation and lagging business and employment conditions significantly weaken the demand for farm products from the American consumer? Or will consumers maintain the uptrend in food spending that has carried them through two successive years (1973 and 1974) of sharp increase in retail food prices.

Again this year, consumers have boosted food spending sharply. Third quarter food expenditures rose to an annual rate of $167.3 billion, compared with the third quarter 1973 rate of $147.7 billion.

A 2-percent gain is due for per capita food consumption for 1974, largest annual rise since 1959. This price-weighted index points to greater purchases of higher valued foods this year despite sharply rising food costs and lagging real incomes.

Much of the consumption increase reflects more meat eating. Shoppers are substantially increasing their beef consumption at prices that rival 1973's high level.

Another indication of the muscle demand this year: Consumption of sweeteners per capita is rising despite astronomical price increases. Pounds of sugar consumed, the bulk of this total, may be only a shade lower than last year.

In 1975, further erosion in real disposable income is expected, and continuing inflation will mean further competition between food and other goods and services for this income. And, more unemployment will strain purchasing power of affected workers. These possibilities suggest some erosion in the strength of demand for food in 1975.

In fiscal year 1974, (ending last June 30) the volume of our agricultural exports rose moderately and higher prices drove total export value to a record high. For fiscal year 1975, which ends next June 30, higher prices are expected to establish a new dollar record while quantity shipped may be down for the first time in years.

Meanwhile, our leading farm export customers are suffering from the same malaise of inflation and recession that Americans are enduring. In addition, as in America, livestock production in many of these nations seems to have risen sharply. Consequently, our customers are taking varied measures to curb spending for imported goods and to protect their domestic livestock industries. These steps signal a general lessening in the ability of industrial nations to pay for imports in 1975, rising trade barriers, and a possible letdown in demand for imported feedstuffs as livestock numbers adjust.

The World Food Conference generated considerable speculation that the industrial and oil-exporting nations would pay for larger food aid shipments to food shortage areas in the months ahead. Such aid would be a plus for world agricultural demand. However, few firm commitments were made. And, the supertight world commodity scene and high commodity prices are working against any dr expansion of food aid this fiscal year.

Income Undercut

Rising costs are outweighing record gross farm income in 1974. The same story may be retold during the first half of 1975.

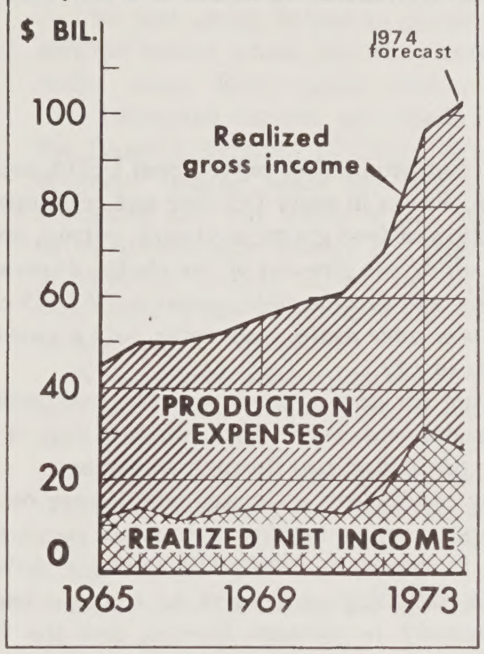
During 1974, farmers will receive a record $95 billion from farm sales and Government payments. Gross income thus would top by $5 billion the record set in 1973.

However, the added receipts won't be enough to outdistance the $10 billion rise in production costs this year to a record $75 billion. Consequently, net farm incomes will be squeezed $5 billion from last year's pinnacle of over $32 billion.

The gross income picture divides sharply between crop and livestock producers this year. Crop prices soared and crop receipts rose an estimated $8 billion over the 1973 record. Livestock receipts, though, are down about $2 billion. Livestock production has increased this year, but prices are [illegible] a tenth from 1973.

The net income picture for livestock producers can not be detailed separately in USDA income statistics. However, it is likely that the livestock sector has absorbed more of the drop in farm income than crops because of soaring feed costs and declining slaughter livestock prices. Cattle finishers did get one break. About the only purchased input declining in price in 1974 was feeder cattle.

Expenses Narrow 1974 Income



Realized net farm income in the first quarter of next year may decrease moderately from current levels, but some strengthening appears likely in the second quarter.

Overall, marketing receipts in the first half of next year may show a small increase over January-June 1974. Farming expenses will continue upward in early 1975 and likely erode any gain in gross income.

RISK, continued from page 1

A sizeable portion of farmers make as much or more of their net incomes from non-farming sources as they do from farming. They will be vulnerable to sagging business and industrial conditions that affect their off-farm jobs or threaten unemployment.

Farmers as well as other citizens probably will pay next year in terms of eroding purchasing power as high inflation rates continue. In the third quarter of this year, the effect was evident as real per capita disposable incomes of all Americans averaged $110 less than a year before. In 1975, families able to maintain their 1974 current-dollar income levels are liable to suffer further loss in spending power due to inflation.

World Cooperation

The recent World Food Conference left some hope that what American farmers and taxpayers have largely borne, the giving of food aid, may be shared by more donors. The conferees called for a much more coordinated effort worldwide to aid hungry nations in getting enough to eat today and growing more food for tommorrow. (Conference details are on page 9.)

Economic Trends

from reports available in November

Unemployment. The 6-percent unemployment level was reached in September, as joblessness increased 0.2 percentage points over August's 5.8 percent. One year before, in September 1973, the rate had been 4.6 percent.

Housing Starts. The plight of the housing industry deepened as new housing starts dropped 0.7 percent in October to an annual rate of 1.1 million. This was less than half the peak rate of 2.3 million starts during 1972.

Consumer Prices. The spiral in retail prices reflected in the consumer price index slowed in October. After increasing at an annual rate of 13.2 percent in September, the October CPI increased 0.9 percent, or a 10.8-percent annual rate. Significant price changes during October included a 1.6 percent seasonally adjusted rise in food prices.

Retail Sales. The dollar volume of retail sales dropped 0.4 percent in October, the second month of decline. Sales were only 6.8 percent greater than in October 1973, less than the increase in prices over this 1-year span.

Wholesale Prices. The wholesale price index jumped 2.3 percent in October, to a level 22.6 percent higher than a year earlier. Farm-food commodities, rising at a seasonally adjusted 4.7-percent rate, gave the index a strong push. Industrial goods prices, after rising over 2 percent each month of 1974, rose only 1 percent during September and October.

Farm-Retail Price Spreads. The spread between farm prices and retail prices, measured in a market-basket of foods in October, narrowed fractionally from September, but was 17 percent higher than in October 1973. Spreads narrowed during the month for beef, pork, poultry, and fresh fruits and vegetables, but widened for most other products. The farmer's share of the shopper's food dollar was 41.2 cents, up from September.

Commodities

The November crop production report from USDA detailed crop losses of the previous month. Frosts in early October and prolonged rain cut into the already low production of feed grains, soybeans, cotton, and sugar.

This news took all of the give out of the elastic. Users of feed grains, both domestic and foreign, will be on a tight regime until 1975 crops are harvested. Soybean consumption, once again, may leave only a two-week supply as the crushing season ends in 1975.

Equally depressing for cotton producers, the worldwide economic slump has been reducing demand even more sharply than weather is reducing production. Cotton prices declined through November.

News that sugar production estimates were lower on November 1 than they had been a month earlier reached benumbed consumers. The wholesale price of sugar had increased by one-fourth during October, and some retail food chains begain rationing customers to a single bag. Sugar prospects worsened simultaneously in Eastern Europe, and the USSR was bidding against us in the Philippines, traditionally our largest imported sugar source. That island nation, however, stopped all exports in early November to assess the damage done to sugarcane by six typhoons in a row.

Peanut and rice prospects have bucked the trend and managed to look brighter with each passing month. Record supplies of rice in 1974/75 will be large enough to give domestic and export customers all they want and still result in a sizable accumulation of stocks at season's end.

Feed Grains

Feed users must adjust to the yawning gulf between the 238 million short tons of feed grains available in the season just past and the 187 million tons which constitute our 1974/75 supplies.

Domestic feed consumption started winding down even before harvest of 1974 feed crops began. Although beef and pork production during the July-September quarter were each 16 percent larger than the reduced 1973 levels and poultry and egg output matched last year, total grain feeding, including wheat fed, dwindled by 12 percent.

One reason for this discrepency between meat production and feed consumed is the radical shift toward slaughter of cattle off grass during 1974. In the first quarter, about 28 percent of the cattle slaughtered did not receive grain finishing. But by the third quarter, nearly 40 percent of all cattle slaughtered were not grain finished. Slaughter of cows, steers, and heifers sold directly off grass, and of calves, were all up sharply from 1973 levels. For all of 1974, perhaps one-third of all cattle slaughtered will not be grain finished, up from one-fifth in the two prior years.

Monthly and quarterly reports of cattle in feedlots point to continuing reductions in fed cattle marketed this winter and spring. Production of other beef may continue up sharply. Indicators for hog, poultry, and egg production likewise point to cutbacks compared with year-earlier levels. Feed costs are high in relation to what livestock producers can earn for their products, so many are cutting production.

The net reduction in livestock products (we also expect a light first-half turkey output and cautious rationing of feed concentrates by dairymen) is likely to cut domestic grain feeding significantly during the 1974/75 feeding season.

Based on November 1 crop prospects, 126-127 million short tons of feed grains are likely to be used for livestock and poultry feeding in 1974/75, about 17 percent less than in 1973/74. Use for human food, industrial use, and seed (18 million tons-plus) will be slightly higher in part because of manufacture of a new corn sweeteners.

Feedgrain exports are projected at 30 to 32 million tons. Ending stocks next year may be very low, roughly half of the 1974 level, and a third of the 1973 level.

The tension between competing feed grain uses is expected to be sufficient to maintain feed grain p[illegible] at recent high levels. For the sea[illegible] corn prices paid to farmers are lik[illegible]

to average at least $1 higher than the average of 1973/74. Corn prices may only have short harvesttime declines, and are likely to strengthen after harvest because of slow-paced marketings by farmers and a pickup of export movement as the season progresses.

Wheat

Despite a record crop, wheat supplies are down 6 percent from last season because of a minimal carryover. The larger crop was due to increased output of soft red winter and white wheats.

Production of hard red winter wheat fell 8 percent this season to 880 million bushels. As much as 600 million bushels of this may be exported. Wheat feeding will be held down by reduced livestock feeding and high prices, but mill grind may increase now that hard red spring has regained its premium over winter wheat.

Hard red spring wheat supplies total a third less than last season. Export demand continues strong in light of our reduced supplies of high-protein wheat and a small Canadian crop, but limited availability may keep hard red spring exports 40 percent under the 1973/74 level. Demand for high-protein wheat is keeping prices not far below last year's record peak—$6.00 per bushel.

Quality problems are handicapping the 1974 durum crop. Domestic use is falling behind last season's brisk pace and export bookings are low. On the other hand, export sales could increase, and orderly marketings by farmers are maintaining price levels.

The wet spring helped to promote soft red winter wheat, but also a hefty garlic crop. Early-season discounts have promoted exports, principally to the People's Republic of China. After domestic milling needs are satisfied, remaining soft red winter wheat may be of questionable quality and largely destined for feeding. Ending stocks, as with most other wheat varieties, will be very low.

White wheat production soared 40 percent with large acreage and favorable yields in the Pacific Northwest and the Northeast. Domestic and export markets are equal to the added supplies, and ending stocks are not expected to increase. Acreage seeded for the 1975 crop should match last fall.

Soybeans

Even though disappearance of soybeans may drop 7 percent from the record level of last season, it would exceed the limited size of the 1974 crop by around 100 million bushels. The difference will bring stocks back down to the scant 60-million-bushel level of two years earlier.

Soybean processors now have a huge capacity of 1.1 billion bushels, but may get only about 765 million bushels for crushing this season. Processors' margins will dip from high levels of the past two years as they buy beans at high prices and crush well below full capacity.

While the smaller crush will reduce soybean meal supplies to around 18½ million tons, the reduced pace of livestock feeding will dampen domestic meal demand. Export demand will hold up, though, as smaller bean exports increase demand for protein meal abroad. Meal prices are likely to average near the $146 per ton (44 percent protein, Decatur) of last season. Domestic use of soybean oil may be reduced for the first time in recent years by high prices and by adverse economic conditions. However, prospective oil supplies are also smaller. Around 1 billion pounds of oil will be available for export, down sharply from last season. During November, prices descended from record highs to around 38 cents a pound, still substantially above last year's prices.

Soybeans available for export may total in the neighborhood of 500 million bushels, well below last year's shipments and sharply below outstanding export sales.

A complex set of factors will affect the balance between whole bean exports and oil or meal shipments. These include the mix of increased competition from Brazil and the

continued on next page.

Prospective 1974/75 crop supplies and demand based on November 1 conditions[1]

	Wheat	Rice	Feed grains	Corn	Soybeans	Cotton
	Mil. bu.	*Mil. cwt.*	*Mil. S. ton*	*Mil. bu.*	*Mil. bu.*	*Mil. bales*
Supply:						
Old crop stocks . . .	249	7.8	22.2	481	172	3.9
Outputs & imports	1,782	114.8	165.0	4,622	1,244	12.1
Total	2,031	122.6	187.2	5,103	1,146	16.0
Utilization:						
Domestic	738-688	37.2-38.0	143.9-145.0	3,913-3,943	[2] 841-871	6.3-6.8
Exports	1,000-1,100	58.1-64.3	32.1-29.8	925-875	515-485	4.0-4.5
Total	1,738-1,788	95.3-102.3	176.0-174.8	4,838-4,818	1,356-1,356	10.3-11.3
Ending stocks	243-293	20.3-27.3	11.2-12.4	265-285	60-60	4.6-5.6

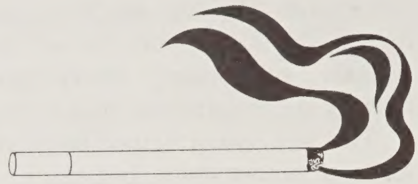
[1] 1974/75 begins July 1 for wheat, September 1 for soybeans, and October 1 for corn.
[2] Domestic use includes seed, feed, and residual.

USSR, increased demand for meal from Eastern European consumers, and reduced margins of Western European crushers.

Soybean prices are strong, averaging nearly $8 per bushel this fall. But prices have declined about $1 since early November. Farmers are strong holders as they try to maximize returns from a weather-reduced crop, and remember their early-season sales at relatively low prices last year.

Two price-strengthening factors for soybeans are the reduced cottonseed crop and the coming pinch in lard production. Cottonseed supplies are down slightly from 1973/74, but cottonseed oil supplies are off an estimated 6 percent. Meal and oil prices will remain high. Lard output may be down 15 percent in concert with curtailed pork production. There will be much less lard for both domestic consumption and export. Lard prices, (tanks, loose, Chicago) are an unprecedented 38 cents per pound and likely to remain high in the months ahead.

BOX SCORE ON SMOKING



U.S. consumers smoked 605 billion cigarettes this year, spending $13½ billion in the process.

Indications are that 38 percent of adults and 17 percent of the youth now smoke cigarettes.

Men are smoking less while women are smoking more.

Men under age 55 are quitting smoking at a substantial rate, while older men are not.

Reports show that 54 percent of male blue collars workers smoke vs. 37 percent of white collar workers.

Fewer college graduates smoke than do those with just a high school education.

Southerners and non-whites smoke more than the rest of the U.S. population.

Cigarette prices are not being hit as hard by inflation as other items in the economy.

Cotton

Just outside the spotlight focused on U.S. feed crop losses and world food needs, cotton is undergoing a season of crisis. For the second year in a row, the weather has hamstrung producers' ability to plant, grow, and harvest a crop. Recently, wet weather has dogged the harvest in the Delta and Southwest, spurring insect growth while retarding cotton development. The November cotton estimate of 12.1 million bales was considerably below initial crop projections.

Production this season is nearly a million bales below 1973 output. Average yields are off sharply. Production is turning out lower in the Southwest but higher in the Southeast and Far West. Output is about the same as last year in the Delta.

Producers need strong prices just to break even this year, with cost per pound of production estimated around 44 cents. But prices are weakening.

The wave of demand for fibers which cotton rode last year has crested. In 1973/74, cotton disappearance peaked at 13.6 million bales, reflecting booming fiber consumption on an international scale. This season, the economic growth that stimulated this demand has stopped. Cotton use in mills and for exports may total less than 11 million bales. Accordingly, cotton stocks may build up to around 5 million bales by next August.

Cotton prices have been sliding. They had achieved a level of 75 cents per pound in October 1973, but SLM 1-1/16-inch cotton drew only 45 cents this October.

Recovery of demand for fibers may be painfully slow. Reasonable credit is no longer available to keep mills rolling in slack periods. And a lengthy recuperation period is in store for consumer demand. The world's economic managers must find the right formulas for easing down in[illegible] rates while enhancing eco[illegible] growth. The current outlook for the U.S. economy envisions only slow progress at best in these directions during 1975.

Under these circumstances, producers have made no haste to conclude early-season sales. Rather they are maintaining ownership of their cotton, banking on the price-propping influence of slow and orderly marketing.

Undoubtedly, producers will show equal caution about planting cotton in 1975. At around 50 cents per pound, the preliminary projected cost of growing next year's crop will be discouragement in itself. Further, next season may offer a good opportunity for growers to capture attractive soybean prices in the Delta and sorghum prices in the Southwest. It now appears likely that cotton acreage in 1975 will decline sharply from last spring's plantings of 14¼ million acres.

Peanuts

Peanuts are the one exception to 1974's oilseed production drops. While acreage allotments were again at the legal minimum, record yields boosted production and total supplies are up a tenth from 1973/74.

Disposition of this crop will include another large annual gain in domestic use; per capita consumption may rise from 8.8 to 9.3 pounds. Domestic crushing will increase, but remain well below the high level of two seasons back. Exports may top last season's record by over 100 million pounds, spurred by tight world protein supplies. Canada, Western Europe, and Japan take nearly all of the peanuts we export.

Prices are averaging near this year's higher support level of 18.3 cents per pound. The CCC may acquire about one-fourth of the record cr[illegible] resale to crushers and [illegible] customers.

Cattle

The first half of next year may do little to revive memories of reasonable profits in the cattle industry. Prices will be generally low in relation to costs.

Fed cattle prices in the first half may average higher than the January-June level—about $42 per hundredweight for Choice steers at Omaha. Fed cattle prices are expected to advance this winter, in response to marketings under year-earlier levels, seasonal declines in slaughter of other cattle from fall into winter, and declining output of other red meat and poultry.

Sharp reductions in placements of cattle on feed are continuing this fall. Their pervasiveness around the country is an indication that the cost-price squeeze of the past year is affecting all types of feeders.

Next winter and spring, cattle feeding will continue to run below year-earlier levels.

Prices of cattle, other than grainfeds, will continue to run below year-earlier levels. (For 1974, Utility cows are averaging $26 per hundredweight, down $7 from 1973; feeder yearlings, at $38, are down $15). Lower prices will be a reflection of larger total cattle output, with slaughter running at least 7-8 percent higher than this year. However, lower slaughter weights will somewhat temper the increase in pounds of beef produced. And, smaller pork and poultry output will work to the benefit of cattle prices.

In the months ahead, downward pressure will continue on feeder cattle prices. Despite heavy calf slaughter in recent months, supplies of young cattle not on feed remain very large. With hay supplies a tenth lower than last season, a severe winter would force heavy non-feedlot marketings of cattle and calves. Thus, the severity of winter weather will affect the size of total cattle slaughter.

Arrayed against these price prospects are the cost factors for holding or feeding cattle. Based on low feeder cattle prices and prospects for a normal feed crop output earlier this year, there was optimism that the profit picture would green up. Currently, however, it looks as if paying high feed grain prices over the months to come may more than offset any savings from low replacement costs for many cattle finishers. No basic improvement in cattle feeding profits will occur until feed grain prices come down or fat cattle prices improve materially.

In addition to the poor picture for fed cattle, the large number of feeder cattle is keeping feeder prices at a low level. Some of this excess may be removed if calf slaughter turns out very large over the next year.

Calf slaughter has been rising sharply each quarter of 1974. Summer slaughter was 60 percent larger than a year before. Over the next year, though, continuing heavy calf slaughter would reduce the number of feeder animals on hand during 1975 and 1976 and would reduce potential for beef output in future years. This tightening up would reduce the time required for the cattle and beef industry to regain its balance.

Poultry

Poultry profits look bleak through the first half of next year. The cost of poultry production had declined in the 1960's as new efficiencies in nutrition and technology were introduced. Then costs started going the other way. And in the past 2 years, high feed costs plus rising bills for fuel, labor, materials, and production loans have sent poultry-raising expenses soaring.

Egg producers in 1972 pulled out of a 2-year depression, during which time, costs topped returns. In 1973, costs accelerated but high egg prices kept operations profitable. This year has included several months when production outlays have fallen below returns. But as long as grain and

continued on next page.

Commodity Trends

News from reports released in November

Cattle on Feed. On November 1, there were 28 percent fewer cattle on feed in 7 major feeding States than a year earlier, continuing the trend of reduced fed cattle production. The number of fed cattle marketed from feedlots during October in these States was 15 percent below a year before.

Sheep and Lambs on Feed. The 1.27 million head of sheep and lambs on feed on November 1 was 9 percent smaller than last November. Numbers were up sharply in California but down in the 6 other reporting States.

Farm Output. Preliminary estimates for 1974 indicate a small drop in total farm production from 1973. Moderately increasing livestock production largely offset a sharp drop in crop production. While cropland used for crops increased, output per acre slumped.

Item	1972	1973	1974 preliminary
	1967=100		
Farm production	110	112	109
All livestock products	108	105	109
All crops	113	120	110
Cropland used for crops	98	104	106
Crop output per acre	115	115	104

Milk. U.S. milk production has exceeded year-earlier levels since July. October 1974 production was 2.2 percent higher than in October 1973. Cumulative January-October production totaled 0.8 percent less than a year earlier.

Cold Storage Stocks. Total stocks of food in cooler storage on October 31 were 12 percent larger than last October. Total freezer stocks were up 15 percent. Supplies of fruits, vegetables, meats, and dairy products were higher. Butter stocks were nearly a fourth larger than in October 1973; cheese stocks were 47 percent larger. Stocks of both beef and pork increased during the month and were sharply higher than last year. Frozen turkey stocks rose seasonally and reached a record 556 million pounds on October 31.

protein costs continue at their high levels, profits are largely out of the picture.

Net returns in the broiler industry have shown less variation. But 1973 worked out to be a better year than 1972. In 1974, most months have shown a loss. Last year was a profitable one for turkey producers, but this year has been a disappointment, with overproduction and sliding prices in early months.

Poultrymen can change the size of their brood flocks and trends of production much more rapidly than cattlemen, who have also been suffering.

Egg output has continued to ease in recent months. Layer numbers are down and the rate of lay will slacken because there are fewer replacement chicks, leaving an older, less productive flock on hand. The size of the laying flock will lag into 1975 at least. Egg output next winter and spring may run 3-5 percent under early 1974 levels.

Egg prices are expected to strengthen during the balance of 1974 and into early 1975 because of laying production and seasonally rising demand. Look for seasonal egg price declines in the spring, but not as much as last spring.

Broiler production this fall will be a tenth smaller than last fall. Broiler output may be down 12-15 percent during winter and spring 1975. Broiler production costs will be boosted by high feed prices, while returns will be limited by the competition from large beef supplies.

Broiler prices so far have skirted their usual fall decline this year because of reduced output. But prices likely will weaken for the holidays before strengthening in the winter and spring.

Turkey producers are doing a balancing act between reduced current production and large cold storage holdings left over from the first half of 1974. The balance has tipped toward higher prices in October and November, and probably will support prices into early 1975, with production expected to be down sharply. This is in marked contrast to last winter, when early 1974 prices slid from fall levels.

Sugar Crunch May Sour Users

Sugar prices continue to gallop unchecked. Retail prices are triple last year's levels, while raw sugar prices are five times higher.

With rising prices, returns are up this year for both sugar crop producers and refiners.

Sugar refiners' financial statements report some sharply increased profits in the past year, but refiners point out that their profits account for no more than a few cents a pound on the average.

Sugar exporters agree that increased profits are one of the results of higher prices but that the steep increases all revolve around one central fact. Rising affluence and population around the world over the past 4 years have increased sugar consumption at a faster rate than sugar production. Since 1969-70, world sugar consumption has exceeded production each year and beginning stocks have fallen from nearly 30 percent of consumption in 1970 to less than 20 percent in 1973. World sugar production for 1973/74 has been estimated to 80.5 million tons while consumption is an estimated 81.1 million tons.

Combined with the old story of too much money chasing too few goods are several other factors:

- Importers, refiners, and sugar users have increased forward buying, fearing that supplies will become more scarce and prices will keep rising.
- Sugar beet crops in Europe and the Soviet Union will be considerably lower than expected because of a cold, wet season.
- Arab countries and Iran have bought somewhere around 2½ to 3 million tons of sugar since January, well above their normal purchase levels and about a sixth of world sugar traded.

Consumers are paying for sugar in other ways than by the bag for table use. Per capita consumption in the United States is around 102 pounds. Three-fourths of this figure comes through the processed foods we eat. So when a six-pack of cola costing $1.09 last year costs $1.59 now, chalk up a part of this rise to higher sugar prices. Food manufacturers have choked down higher sugar prices this year but have been searching for ways to reduce the sugar content of their products. Soft drink manufacturers, for example, have seen advantanges in using the other major sweetener, corn syrup, but its price, too, has increased —about 2½ times in the past 2 years.

There is light at the end of this tunnel. A lessening demand by consumers and manufacturers is anticipated, and growers are responding to recent strong prices and demand.

Next year, with prices soaring, domestic sugar beet producers are expected to expand output significantly. Sugar cane takes longer to respond because of the way it's grown. If current production and consumption trends continue, production could exceed consumption in about 2 years, or even as early as next year.

In previous periods of high sugar prices, some foreign suppliers would try to fill their U.S. quotas in order to protect those quotas for future years even though U.S. prices were less favorable than in some foreign markets. Recently the President set a large, 7 million-ton quota for sugar imports next year, with no individual country quotas. This high level will not restrict imports but will obviate a higher tariff called for by law in the absence of quotas. Thus, instead of selling in the United States, foreign producers are now selling where prices are highest and forcing U.S. consumers to meet world prices.

The combination of these factors may lower next year's prices, barring bad weather.

High prices have boosted sugar grower's returns.

Foreign Focus

Food Conference

The global interest that has followed the World Food Conference in Rome points up the fact that food and nutrition are the big problems for this decade and undoubtedly for decades to come. The single fact that the world is now doubling its population once every 30 years hangs a Malthusian specter over the plans of the various governments.

To forestall if not disprove the idea that unchecked population growth will outrun its means of support, the World Food Conference adopted a two-phase action plan.

The concepts and resolutions revolved around what to do now and what to do for the future. Actions can be broken down into five key areas: food aid, food production, food security, international trade in food, and a global information system on food and agriculture.

Food Aid

The question of how to get more food immediately to crisis areas occupied much discussion. Bangladesh, India, Pakistan, Sri Lanka (formerly Tibet) and Tanzania all have pressing food shortages this year and another 20 countries have lesser shortages. When representatives of major grain producing and grain importing nations met toward the end of the conference, they reported that they could not determine where enough grain could be found to insure that famine would be averted in the five pressed countries. The USDA estimate is that these five need 10.5 million tons of grain, 6 million of which have already been provided.

Canada pledged to provide a million tons of wheat as international assistance for each of the next 3 years, a level in line with its commitments of recent years. There were few other specific pledges made at the conference, although the oil-rich nations indicated a willingness to commit funds to an international aid pool and the United States indicated that more aid shipments than now committed for 1974/75 might be made later on if vitally needed.

The conference recommended that beginning next year food aid donors provide commodities or financial assistance to assure at least 10 million tons of grain as food aid a year. Rich and poor nations alike would contribute to this fund, probably in proportion to their gross national product. Present food aid donors, including the United States, said that the 10 million tons is feasible only if more countries, with financial capacity to do so, lend a hand.

The United States already makes the largest commitment to meeting world food needs. In fiscal year 1974 we exported 3.5 million tons of grain under the Government programs.

The United States took the attitude that the World Food Conference was not a forum for debating immediate food aid needs, but rather an opportunity to organize to prevent a repetition of the present crisis.

At the end of the conference, U.S. spokesmen said that probably as much as an additional million tons or more of grain could be used for food aid later this coming fiscal year, subject to a quarter-by-quarter review. Recognizing current food problems, the Conference recommended that grain exporting and importing countries as well as current and potential financial contributors meet again to consider ways of increasing food availability and financing during 1975 and 1976. Dr. Boerma, Director General of the United Nations Food and Agriculture Organization which sponsored the 130-nation conference, called this meeting for November 29 in Rome.

After this meeting, you will probably be hearing about the World Food Council. The conference directed that this body be established as part of the United Nations but separate from the U.N.'s Food and Agriculture Organization. The 25-nation group will keep the U.N. advised of world food needs and attempt to coordinate food aid and agricultural development efforts around the globe.

Secretary of State Henry Kissinger, keynote speaker at the Conference, originally proposed the world parley.

Increasing farm output in food-poor nations received a top priority at the Conference.

Raising Food Production

The conferees agreed that increased food production is essential in both developed and developing areas. In the case of many developing countries, a reordering of programs, priorities, and farmer incentives will be required. The Conference also recognized that more money is needed to help developing countries boost production. General approval was expressed for the creation of an agricultural development fund, and followup work by the U.N. will include this proposal. No specific dollar amounts were proposed. In addition, a number of resolutions were passed to improve nutrition programs, child feeding, fertilizer development, and to increase the participation of women in solving world food problems.

One important point with regard to technical aid and research assistance was brought out by India's minister of agriculture, who spoke of how industrial inputs from developed countries—machinery, fertilizer, and the like—will not increase food yields in the hungry nations unless attention is paid to the conditions that must be present for these technologies to work. For example, India desperately needs roads so that farmers can get their crops to market, a vital incentive to produce. And there must be adequate irrigation systems and additional exploitation of ground and surface water resources to enable crops to respond to added agricultural chemicals. He went on to say that if the technological assistance envisioned by other speakers were labor-intensive rather than labor-saving, millions of farm people with little or no income would at last be able to acquire some purchasing power.

In response to the Indian minister and others who have voiced such opinions, U.S. spokesmen replied that we know that some of the advanced methods we now use won't work for some developing agricultures, and that accordingly, research must emphasize such breakthroughs as disease-resistant plant strains that would eliminate need for costly chemical sprays.

Food Security

The Conference endorsed the objectives, policies, and guidelines on world food security as prepared by the Food and Agriculture Organization. The FAO plan provides for international cooperation in the establishment of a world network of national grain reserves through international consultations and exchange of information. If approved by the FAO Council later in November, it will be sent to governments for their consideration and adoption. This probably will take at least a year.

Food Trade

The Conference concluded that international trade in food will play an important role in meeting the world food challenge, particularly in developing countries. Trade was recognized as the key activity ensuring that food once produced reaches destinations where it can be used to reduce and eliminate hunger, malnutrition, and actual starvation.

The Conference also stressed the need for eliminating barriers and trade restrictions utilizing the mutilateral trade negotiations under the General Agreement on Tariffs and Trade, as agreed to in the Tokyo Declaration. It was recognized that the extent to which trade barriers can be reduced and eliminated will largely determine the degree to which trade can contribute to meeting the world food challenge.

Info Network

The Conference decided to establish a global information and early warning system and agreed that the FAO is the most appropriate organization to operate and supervise such a system. The Conference requested that FAO, in cooperation with other international organizations, particularly the International Wheat Council, formulate the reporting on a voluntary and regular basis. In the beginning, the system is to concentrate on basic foods, particularly grains.

Sayed A. Marei, second from left on podium, served as Secretary General of the Conference.

World Output Steadies

Indexes of world agricultural production

Region	1970	1971	1972	1973	1974
	(1961-65=100)				
World (Excluding Comm. Asia	120	125	123	130	130
Developed	118	123	122	129	128
LDC (non-comm.)	124	127	125	131	133
United States	109	118	118	120	117
Canada	112	129	120	123	114
Latin America	122	126	125	132	138
Western Europe	113	120	119	121	123
Eastern Europe	116	122	132	135	135
U.S.S.R.	136	135	129	154	147
Japan	109	102	110	110	111
East Asia, excl. Japan	130	134	132	144	151
South Asia	126	127	119	130	122
West Asia	124	131	138	127	137
Rep. of South Africa	121	134	141	117	144
Other Africa	117	120	123	120	125
Oceania	119	123	116	118	120

Despite a critical tightening in grain supplies and localized slumps in farm production in the United States and other areas, a preliminary estimate of world agricultural production places 1974 on a par with 1973. One factor offsetting reduced grain production in developed countries has been increased livestock output. (Total agricultural output includes tobacco and fiber crops. World food output this year may be down slightly from last year.)

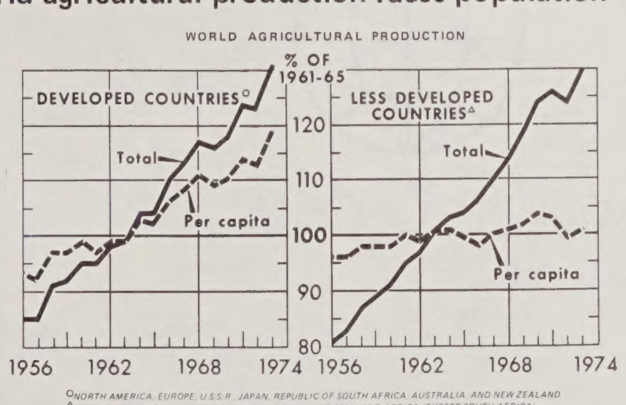
Some areas of the world have suffered agricultural setbacks this year. The United States, for example, has experienced about a 2-percent decline in agricultural production primarily due to bad weather. Canadian agricultural production is also down, approximately 7 percent. On the other hand, Western Europe's agricultural production is up about 1 percent both on a total and per capita basis.

The USSR has experienced a decline in total agricultural production primarily due to smaller grain harvests. But livestock production exceeds last year by about 5 percent.

Agricultural production in East and West Asia has increased substantially over last year. South Asian production is down primarily due to declines in production in India, Bangladesh, and Pakistan.

African agricultural production is up. The drought in the Sahel broke and conditions are favorable for increased production.

World agricultural production races population



Farm output in Latin American during 1974 is currently forecast to exceed the 1973 record by more than 4 percent. Import requirements will be reduced as a result.

The developed countries in 1974 showed a slight decrease in total and per capita production, while the less developed countries showed a decline in per capita production but an increase in total production.

Dockside Report

The favorable balance between our agricultural exports and imports has been slimming lately. For the first four months of the current fiscal year (July through October), agricultural exports totaled $6.18 billion, 5 percent ahead of the same months last year. However, agricultural imports in these months of $3.24 billion were up by a fifth.

While 8 percent smaller than last year, the difference between these exports and imports over the four months still provided nearly $3 billion on the plus side of the U.S. balance of trade. That plus was applied to a deficit in our nonagricultural trade over these months of $6.6 billion, compared with a more modest deficit of $2.7 billion a year earlier.

Looking more closely at exports in October, we shipped farm goods valued at $1.7 billion, very close to the total in October 1973.

Agricultural exports of animals and animal products, at $152 million, were behind the year-earlier level by some $20 million. The key factor was a sharp drop in exports of live cattle, mostly to Canada.

Exports of vegetable products of $1.56 billion were a close match for shipments in October 1973. Grain shipments of $824 million were slightly lower because of smaller wheat exports. Cotton exports were down sharply to a value of $35 million, and shipments of fruits and products eased. There were plusses at dockside relative to last October for oilseeds and products valued at $400 million, tobacco, $91 million, and vegetable and preparations.

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